

Connecticut Tax News

quarterly

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A PUBLICATION OF THE CONNECTICUT DEPARTMENT OF REVENUE SERVICES

From the Commissioner Gene Gavin

Potential tax amnesty and filing season wrap-up

Originally, I had hoped to use this column to tell you what new tax initiatives Governor John G. Rowland and the General Assembly enacted during the 2002 short legislative session. But as you are aware, the 2002 legislative session fizzled to an end with no adjusted budget, and no new tax changes, except for the already passed cigarette tax increase.



Although the legislature commonly makes certain adjustments to the biennial budget during the short session, the need to address the budget became more important when Connecticut tax revenues succumbed to the recession that has taken a much greater toll on other states. State revenue projections for fiscal years 2002 and 2003 are about \$1.3 billion below expectations.

A special session was convened immediately after the end of the regular session on May 8, so that a revised budget and tax package can be adopted before the new fiscal year begins July 1.

► **COMMISSIONER**, Page 2

Fast-File Use Increasing

The DRS *Fast-File* system will be one-year-old next month and its popularity and use throughout the year has shown steady improvement. Since the system was introduced as a pilot-program on July 11, 2001, over 5,500 taxpayers have connected to *Fast-File* and have made changes to registration information, registered for additional taxes, and filed returns. Commissioner Gene Gavin recently commented, "I urge all eligible Connecticut businesses to participate in *Fast-File*. It is the simplest and most cost-effective filing method we offer businesses to file their returns."

Fast-File is no longer a pilot program. After successfully being tested by selected taxpayers, *Fast-File* is now

► **Fast File**, Page 9

Cigarette Tax Update

On April 3, 2002, the tax on cigarettes sold in Connecticut increased by \$.61. Consequently, all Connecticut cigarette retailers and distributors were required to purchase and apply an additional tax stamp to the cigarettes in their possession.

The stamp proves that the new, additional, tax was paid on cigarettes purchased before the tax increase. The additional tax was paid when the floor tax stamps were purchased.

DRS was responsible for coordinating the sale and distribution of the "floor tax" stamps. To facilitate the distribution of stamps, Agency

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Special Session Likely to Address Unfinished Issues

A revised budget and tax package was not the only unresolved matter when the 2002 General Assembly Session came to a close on May 8. A number of bills proposed by DRS also failed to see legislative action before the end of the session.

Some of these bills, such as clarification of the sales and use tax exemption for meals served to hospital patients, and allowing the use of charge and debit cards for tax payments, will have to be addressed in 2003. Other bills will

► **Special Session**, Page 3

The Mission of the Connecticut Department of Revenue Services is to administer the tax laws of the State of Connecticut and collect the tax revenues in the most cost effective manner; achieve the highest level of voluntary compliance through accurate, efficient, and courteous customer services; and perform in a manner which instills public confidence in the integrity and fairness of the State's tax programs.

Commissioner

from Page 1

What new tax measures that legislation will entail, no one is certain at this time. But a proposal both sides seem to agree upon is a tax amnesty. Connecticut conducted its last amnesty in 1995. That successful program generated more than \$46 million in revenues for the state and included both corporate and individual taxpayers. A similar amnesty program has been proposed for the fall of this year with some projections estimating the program could generate up to \$40 million.

While I have advised the legislature that an exact replica of the 1995 amnesty would not be advisable for 2002, the precise details of this year's program have yet to be determined. Some features that have been discussed include the elimination of penalties, a reduction in the statutory interest rate for non-filers and under-reporters, and stricter enforcement of penalties and interest charges for those who do not take advantage of amnesty.

The possibility of additional tax increases or the reduction of

credits to the corporation business tax has also been discussed. But, Governor Rowland has committed to reducing spending as much as possible before he will consider any further tax increases.

Watch for our **Special Issue: Legislative Summary** in the July/August *Connecticut Tax News* for summaries of legislation passed during the special session and news about a potential tax amnesty program for 2002.

I am pleased to report that the 2001 income tax filing season was a great success. Filings remained steady in the state with about 1.5 million individual income tax returns being submitted. And as we have seen in recent years, more and more Connecticut taxpayers and tax practitioners are turning to various methods of electronic filing. This year, more than half a million returns, or one third of the tax returns received by DRS, were filed either through Telefile or computers.

This year, DRS gave taxpayers yet another option for filing their personal income tax returns by introducing the WebFile pilot program. The program allows

taxpayers to file a return on-line for free through the secure DRS web site. More than 15,000 taxpayers took advantage of this brand new program, and many liked it so much they sent me e-mails that said how easy the program was and how much they liked it.

Whether taxpayers use WebFile, Telefile, or other electronic filing options, they help save the state money through reduced processing steps and the virtual elimination of filing errors. Electronic filing also allows DRS to be the fastest agency on planet to process refunds. This year, many state residents who opted for direct deposit of their refund received their payment in less than four business days.

The dedicated employees of DRS are to be commended for the efforts that helped to make this filing season a success. Both the employees who established and maintain our electronic filing programs, and the staff who process paper returns show extraordinary teamwork and perseverance through this peak time of year. They are a true credit to this agency and to the State of Connecticut. I am very proud of them.

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No 2002 Fisherman Tax Exemption Permit Renewals

Fishermen with current Fishermen Tax Exemption Permits do not have to renew their exemption permits in 2002.

Renewal packages will be sent to fishermen in 2003, as they are now required to reapply for the permit every two years.

During the current two-year cycle, permits expire on June 30, 2003.

Beginning in June 2001, start-up fishermen will initially be issued a Fishermen Tax Exemption Permit that is valid for two years from the date it is issued. When the fishermen renew the permit for the first time, the fishermen may be issued a permit for a period of less than two years until the next regular biennial renewal.

See **Informational Publication 2001(11)**, *Fisherman's Guide to Sales and Use Taxes and Estimated Income Tax*.

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DRS/IPT 5th Annual One-Day Connecticut Tax Seminar

Commissioner Gene Gavin invites tax practitioners to attend the DRS/IPT seminar and learn about important changes to Connecticut tax laws. DRS and the Institute of Professionals in Taxation (IPT) will present their fifth annual Connecticut tax seminar on September 17, 2002, at the Radisson Hotel and Conference Center in Cromwell, CT.

DRS speakers will explain the latest legislative tax changes, audit programs, *Fast-File*, corporation tax credits, sales tax, and other tax issues.

For additional information or to register, contact IPT by phone at 404-240-2300.

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Cigarettes from Page 1

representatives were assigned to 10 satellite locations across the state where stamps were available.

Between March 19 and April 2, DRS sold over 16.1 million additional tax stamps that were placed on individual packages of cigarettes. The sale of additional stamps generated more than \$8.4 million in revenue.

As of April 3, 2002, all cigarettes sold in Connecticut must have the appropriate amount of tax stamps. DRS Agents continue to inspect retail establishments for cigarette tax compliance. According to Cal Mellor, Special Investigations Unit Supervisor, "Our investigations show that the non-compliance rate was less than 1% and it appears that retailers knew what to expect." Since April 3, DRS agents have confiscated over 20,000 packs of untaxed or under-taxed cigarettes and made three arrests for the sale of untaxed cigarettes. Merchants have 30 days from the time



Cal Mellor, Tax Unit Supervisor (Special Investigation Unit, Collections & Enforcement Division) displays cigarettes confiscated during recent inspections.

the cigarettes were seized to submit an appeal with DRS. Merchants would have to pay the tax, interest, and penalties before any cigarettes would be returned.

The Special Investigations Unit continues to receive occasional tips about un-taxed or under-taxed sales.

"I am proud of the extraordinary work of the DRS and DMHAS agents who, in a very short amount of time, inspected more than half of the 6,000 cigarette retailers and

distributors throughout the state. I am also pleased that so few of those inspections resulted in arrests or confiscation of cigarettes," Commissioner Gavin said. "The vast majority of the state's cigarette retailers are honest business people who want to comply with the law, and DRS' purpose is to protect them from the few outlaws out there."

Anyone aware of locations selling untaxed or under-taxed cigarettes is asked to call the DRS Special Investigations Unit at 860-297-5877.

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Special Session from Page 1

likely be addressed during the special session scheduled for later this month.

Most participants of the budget process anticipate a tax amnesty to be part of the final budget package adopted during the special session. An amnesty was part of the budget bill vetoed by the governor during the regular session, but was not one of the reasons for the veto. The exact details of the amnesty were still unclear as of the printing of this newsletter, but it is expected to be modeled closely after Connecticut's 1995 tax amnesty program, which collected \$46 million. Some features of the 1995 amnesty which may be used in 2002 are: the elimination of penalties, a reduction in the statutory interest rate for non-filers and under-reporters, and stricter enforcement of penalties and interest charges for those who do not take advantage of the amnesty.

Another bill expected to be addressed during the special session is "An Act to Protect the Corporate Business Tax Revenues of the State of Connecticut." The bill was proposed by DRS during the regular session as a legislative remedy to the Connecticut Supreme Court's decision in *Carpenter Technology, Inc. v. Commissioner*. Like so many other bills, it died due to lack of action.

Legislation to address the *Carpenter* decision is important to both DRS and the state because it will prevent the loss of significant state revenues through arrangements involving a circular flow of funds from a parent company to the subsidiary, and back to the parent for the purpose of creating interest expense deductions for the parent.

Watch for our **Special Issue: Legislative Summary** in the July/August *Connecticut Tax News* for summaries of legislation passed during the special session and news about a potential tax amnesty program for 2002.

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Sales and Use Taxes

Motor Vehicle or Vessel Purchased by a Nonresident

An issue that is frequently raised at DRS tax classes and other speaking engagements is the application of Connecticut sales and use tax on the sale of motor vehicles and vessels in Connecticut to nonresidents.

The purpose of this article is to remind both new and used

Connecticut motor vehicle dealers and new and used Connecticut vessel dealers of their responsibilities in selling to nonresidents.

If the conditions stated below are met, the purchaser and the dealer must properly complete



CERT-125, *Sales and Use Tax Exemption for a Motor Vehicle or Vessel Purchased by a Nonresident of Connecticut*, at the time of the sale. If the certificate is not properly completed at the time of the sale, it will be treated as a taxable sale.

Also, **CERT-125** can **only** be used for qualifying sales of motor vehicles and vessels. It cannot be used in connection with the sale of dirt bikes, all terrain vehicles, or snowmobiles.

If a nonresident purchases a dirt bike, all terrain vehicle, or snowmobile from a Connecticut dealer and title transfers to the purchaser in Connecticut, 6% Connecticut sales tax must be collected from the purchaser.

Conditions for the Sale of a Motor Vehicle or Vessel by a Connecticut Dealer to a Nonresident to be Considered Exempt From Connecticut Sales and Use Tax

Motor vehicle dealers and vessel dealers know that when selling a motor vehicle or vessel to a nonresident, the sale may be exempt from Connecticut sales and use taxes. Generally, the individual purchaser must meet three conditions for the sale to be considered exempt:

1. The purchaser is not a resident of Connecticut;
2. The purchaser does not maintain a permanent place of abode in Connecticut. (A permanent place of abode is a dwelling place (a building or a structure where a person can live) permanently maintained by an individual (even if the individual does not permanently reside there), whether or not owned by or leased to the individual, and generally includes a dwelling place owned or leased to his or her spouse.); and

3. The motor vehicle or vessel will not be presented for any type of registration with the Connecticut Department of Motor Vehicles.

If the purchaser is a business, rather than an individual, the partnership, corporation, or other business entity may qualify for the exemption **only** if:

1. The entity maintains no Connecticut situs and owns no fixed assets located in Connecticut;
2. No partner, officer, or member of the entity, and no operator of the motor vehicle or vessel, maintains a permanent place of abode in Connecticut; and
3. The motor vehicle or vessel will not be presented for any type of registration with the Connecticut Department of Motor Vehicles.

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Prepaid Calling Cards Taxable

The DRS Taxpayer Services Division reports that it has recently received an increased number of calls inquiring about the taxability of prepaid telephone calling cards. Prepaid telephone calling cards **are** subject to Connecticut sales and use taxes.

Effective October 1, 2000, the sale of prepaid telephone calling service (including but not limited to calling cards) and the recharge of such service is a separate taxable service, and is no longer taxable as a telecommunications service. Tax is paid at the Connecticut retailer's place of business. However, if prepaid telephone calling service is not sold at a retailer's place of business, the sale or recharge is taxable at the customer's shipping address, or if no item is shipped, it is taxable at the customer's billing address or location associated with the customer's mobile telephone number.



Prepaid telephone calling service means advance payment for the right to purchase telecommunications service that enables origination of calls using an access number or code with a continuous means of knowing the amount of remaining units of prepaid service.

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Sales and Use Taxes, continued

Sales Tax in the Garden

Each spring DRS receives calls about the sales and use taxes exemption for seeds. DRS reminds Connecticut taxpayers that this exemption is limited to seeds that are suitable for planting **to produce food for human consumption**. The exemption does not extend to spores, seedlings, roots, bulbs, tubers, cuttings, bushes or any other propagative forms of vegetables, fruits, and herbs. Nor does the exemption apply to seeds of plants that are commonly regarded as flowers, or to plants that are

ornamental, inedible, or for consumption only by animals.

Although the following list is not exhaustive, plants that are consumed by humans or that are used as an ingredient or flavoring in food for human consumption include:

- Asparagus
- Berries
- Broccoli, cauliflower, and cabbage
- Carrots, beets, turnips, and other root vegetables
- Collards, spinach, and other greens
- Corn and other grains
- Cucumbers
- Melons
- Lettuce and other leafy vegetables

- Parsley, basil, sage, and other herbs
- Peas and beans
- Peppers
- Pumpkins
- Squash
- Tomatoes

Plants whose seeds are **not** exempt from sales and use taxes include: flowers and shrubs, gourds, ornamental corn, and tobacco.

Other **taxable** items commonly purchased at this time of year include: bird seed, peat moss, loam, humus, trees, bushes, shrubberies, top soil, potting soil, bark chips, and garden tools.

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Income Tax Withholding

Agricultural Employers

In general, an agricultural employer must withhold federal and Connecticut income tax from an agricultural worker who receives cash wages if those wages are subject to FICA (Social Security) tax withholding. An agricultural employer must register with DRS by completing **Form REG-1, Application for Tax Registration Number**, and withhold Connecticut income tax from the wages of agricultural workers if:

- The employer is required to withhold federal income tax; or
- The employer and employee voluntarily agree to have Connecticut income tax withheld.

If the employer is already registered to withhold Connecticut income tax, the employer may send a written request for annual filer status to DRS. The request should state that the employer is an agricultural employer who employs farm workers only and will file federal Form 943. Send the annual request to:

**Department of Revenue Services
Registration Unit
PO Box 2937
Hartford CT 06104-2937**



Every Connecticut agricultural employer must file federal Form(s) W-2 with **Form CT-W3, Connecticut Annual Reconciliation of Withholding**, whether or not the employer is registered with DRS, or whether or not the employer has withheld any Connecticut income tax. **Form CT-W3** is due on or before the last day of February for wages paid in the preceding year. An unregistered agricultural employer should enter the words "Agricultural Employer" in the space reserved for the Connecticut tax registration number on **Form CT-W3**.

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Seasonal Employers

If you are a new seasonal employer, you may request seasonal filer status with DRS. You must have a liability in the same quarter(s) each year and request in writing to be a seasonal filer. The employer must complete **Form REG-1, Application for Tax Registration Number**, to register with DRS and submit a written request for seasonal filer status. The request must state the quarter(s) that workers are employed.

DRS must receive this request on or before the last day of a calendar quarter to be effective for that calendar quarter. The employer does not have to submit a new request in succeeding calendar years as long as it remains a seasonal filer.

If the employer is already registered to withhold Connecticut income tax, it may still request seasonal filer status with DRS. Send a written request, stating the quarter(s) that the business is active, to the Registration Unit at:

**Department of Revenue Services
Registration Unit
PO Box 2937
Hartford CT 06104-2937**

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Individual Income Tax

Tips on Making Estimated Tax Payments

Those taxpayers who made estimated income tax payments for the 2001 taxable year were automatically sent estimated income tax payment packages in January. The packages contain coupons for making estimated income tax payments for the 2002 taxable year. The coupons are preprinted with the taxpayer's name, address, and Social Security Number. Also included are four address labels for taxpayers to use when sending their payments to DRS.

If a taxpayer did not receive the estimated income tax payment package and filed his or her first 2002 estimated income tax payment (due April 15) without having received the preprinted coupons, he or she will receive the estimated income tax payment package in time to file the second 2002 payment (June 17, 2002). He or she will also receive preprinted coupons to file the third and fourth payments (September 16, 2002 and January 15, 2003).

Tax practitioners can help DRS increase the efficiency of processing 2002 estimated income tax payments by encouraging their clients to:

1. Use the preprinted forms and labels included in the 2002 estimated income tax payment package; **and**
2. Write the name of the form on his or her check or money order.

If your client has lost his or her labels, or if you are addressing labels or envelopes for your clients, be sure to use the following address: **Department of Revenue Services, PO Box 5053, Hartford, CT 06102-5053**

Following these tips will avoid delays and insure the most accurate processing of your clients' payments. Also, remind your clients to keep accurate records of their 2002 estimated income tax payments to aid in completing their Connecticut income tax return for the 2002 taxable year.

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FROM THE COURTS



Connecticut Superior Court (Tax Session)

In **Dennis Gavigan v. Commissioner of Revenue Services**, No. CV 01 0508067S (January 18, 2002), the Superior Court granted the Department's motion to dismiss, finding that the taxpayer failed to properly serve its complaint. Because the taxpayer failed to have a sheriff serve its complaint on the Attorney General in accordance with the requirements of Conn. Gen. Stat. §12-730 and Conn. Gen. Stat. §52-64, the court held that it lacked subject matter jurisdiction to decide the case. The taxpayer did not appeal the decision.

In **Air Tiger, Inc. v. Commissioner of Revenue Services**, No. CV 99 0496956S (March 27, 2002), the Superior Court ruled in favor of the Department. The court found that the taxpayer's gross receipts were not derived from air commerce or transportation but rather from payments it received from the leasing of an aircraft. Consequently, the court held that the lease payments the taxpayer received from the lease of such aircraft were subject to

Connecticut sales tax. The taxpayer has appealed the decision.

In **Men's World, Inc. v. Commissioner of Revenue Services**, No. CV 99 0494630S (March 27, 2002), the Superior Court ruled in favor of the taxpayer. The sole issue on appeal was whether a \$3 damage waiver charge made by the taxpayer with respect to its rental of formal wear was properly excludable from gross receipts in determining the rental cost of a tuxedo for purposes of Conn. Gen. Stat. §12-412(47). By not adding the damage waiver to the tuxedo rental fee, the taxpayer was able to keep the total rental fee below \$50, and thus exempt from tax under Conn. Gen. Stat. §12-412(47). Finding that the damage waiver charge was not insurance, but was an optional charge at the customer's election, the court concluded that the damage waiver charge was not part of the rental price of the tuxedo. The Department did not appeal the decision.

RULINGS OF THE CONNECTICUT DEPARTMENT OF REVENUE SERVICES

The following rulings have been released by the DRS Legal Division.

For purposes of this edition of **Connecticut Tax News**, only the "Ruling" portion of the new rulings are included. To obtain a complete text of the rulings listed below or any ruling issued by the DRS, visit the DRS Web site (www.drs.state.ct.us), or send your name, mailing address, and the number of the ruling or rulings to: **DRS, Forms Unit, 25 Sigourney Street, Hartford, CT 06106-5032**

RULING NO. 2002-1

INCOME TAX

Federal Preemption of State and Local Income Taxation

RULING:

1. The wages due or accruing to a ferry employee working exclusively on the ferries are not subject to Connecticut income tax withholding, pursuant to 46 U.S.C. §11108(a).
2. The compensation to a ferry employee working exclusively on the ferries is subject to Connecticut income tax if the employee is a resident of Connecticut, but is not subject to Connecticut income tax if the employee is a nonresident of Connecticut.
3. The wages due or accruing to a ferry employee working on the ferries most of the time and having de minimis onshore duties in Connecticut or New York are not subject to Connecticut income tax withholding, pursuant to 46 U.S.C. §11108(a).
4. The compensation to a ferry employee working on the ferries most of the time and having de minimis onshore duties in Connecticut or New York is subject to Connecticut income tax if the employee is a resident of Connecticut, but is not subject to Connecticut income tax if the employee is a nonresident of Connecticut.
5. The wages due or accruing to an onshore employee working in Connecticut are subject to Connecticut income tax withholding, whether or not he or she is a resident of Connecticut. The wages due or accruing to an onshore employee working in New York are subject to Connecticut income tax withholding if the employee is a resident of Connecticut but only in accordance with Conn. Agencies Regs. §12-705(a)-2(b)(2). The wages due or accruing to an onshore employee working in New York are not subject to Connecticut income tax withholding if the employee is not a resident of Connecticut.
6. The compensation to an onshore employee working in Connecticut is subject to Connecticut income tax,

whether or not he or she is a resident of Connecticut. The compensation to an onshore employee working in New York is subject to Connecticut income tax if he or she is a resident of Connecticut. The compensation to an onshore employee working in New York is not subject to Connecticut income tax if he or she is not a resident of Connecticut.

RULING NO. 2002-2

CORPORATION BUSINESS TAX

Tax Credit for Donation of Open Space Land

RULING:

1. The Company will be entitled to corporation business tax credits under Conn. Gen. Stat. §12-217dd, since the State and the Organization are paying a Discounted Sales Price for the Class II and Class III land and for the conservation easements over Class I land, where all three classes of land protect natural streams and water supply or satisfy other requirements of the statutory definition of "open space land," and where the deeds for the Class II and Class III land will ensure that the land will be permanently dedicated to "Open Space or Recreational Purposes" and the instruments creating the conservation easements on the Class I land will be subject to such restrictions as are required to ensure that the Class I land will be permanently dedicated to "Open Space or Recreational Purposes."
2. For purposes of calculating the donation of open space land credit under Conn. Gen. Stat. §12-217dd, the term "use value" means the fair market value of the land at its highest and best use taking into consideration the prevailing conditions of the land, which include the statutory restrictions placed on the land because of its classification as Class I, Class II, and Class III land and the rights retained by the Company to continue to use the land as necessary to provide water to the public.

RULINGS, continued**RULING NO. 2002-3****SALES AND USE TAXES****ADMISSIONS TAX****MOTOR VEHICLE FUELS TAX****Application To A Federally
Recognized Indian Tribe
Located In Connecticut****RULING:**

1. Sales by the Tribe within Indian country of the Tribe of tangible personal property not produced within Indian country of the Tribe to other than enrolled members of the Tribe are subject to Connecticut sales tax and the Tribe, as a retailer, must collect and remit such tax to the State.
2. Sales by the Tribe within Indian country of the Tribe of tangible personal property to enrolled members of the Tribe are not subject to Connecticut sales tax. However, purchases by an enrolled member of the Tribe within Indian country of the Tribe will be subject to use tax if the enrolled member purchases the tangible personal property with the intention of using it outside of Indian country of the Tribe and actually so uses it.
3. Sales by the Tribe of meals that are prepared and served within Indian country of the Tribe are not subject to Connecticut sales tax because the value of the meals is generated within Indian country of the Tribe¹.
4. Sales by the Tribe of lodging (i.e., rooms or other accommodations) located within Indian country of the Tribe are not subject to Connecticut sales tax because the value of the lodging is generated within Indian country of the Tribe.
5. Sales by the Tribe of entertainment that is produced within Indian country of the Tribe, including when the Tribe contracts to have a third party produce an entertainment event at facilities developed and operated by the Tribe within Indian country of the Tribe, are not subject to Connecticut admissions tax.
6. Tangible personal property or services (including food, non-alcoholic beverages or lodging) given by the Tribe within Indian country of the Tribe to patrons of the Tribe as gifts, prizes, or as complimentary privileges are not subject to Connecticut use tax because the burden of the use tax falls directly on the Tribe. However, to the extent such tangible personal property or services are given by the Tribe to patrons of the Tribe on a partially complimentary basis, the consideration received by the Tribe for the non-complimentary portion of the tangible personal property or services will be subject to Connecticut sales tax as provided herein.
7. Purchases of tangible personal property by the Tribe where title to the tangible personal property passes to the Tribe within Indian country of the Tribe or rentals of tangible personal property by the Tribe where delivery of the tangible personal property is made to the Tribe within Indian country of the Tribe are not subject to Connecticut sales tax. However, such purchases or rentals will be subject to Connecticut use tax if the Tribe purchases or rents the tangible personal property with the intention of using it outside of Indian country of the Tribe and actually so uses it.
8. Purchases of tangible personal property by the Tribe where title to the tangible personal property passes to the Tribe outside of Indian country of the Tribe or rentals of tangible personal property by the Tribe where delivery of the tangible personal property is made to the Tribe outside of Indian country of the Tribe are not subject to Connecticut sales or use tax provided the Tribe complies with the provisions of Conn. Gen. Stat. §§12-407(6) or 12-408c and the tangible personal property is ultimately used solely within Indian country of the Tribe.
9. Purchases by the Tribe of motor vehicles where title to the motor vehicles passes to the Tribe within Indian country of the Tribe or leases by the Tribe of motor vehicles where delivery of the motor vehicles is made to the Tribe within Indian country of the Tribe are not subject to Connecticut sales tax.
10. Purchases by the Tribe of enumerated services wherever performed, if the benefit of the services is realized by the Tribe, are not subject to Connecticut sales or use tax unless such services are to real or tangible personal property located outside of Indian country of the Tribe or to property intended to be used outside of Indian country of the Tribe.
11. Purchases of tangible personal property outside of Indian country of the Tribe by contractors or subcontractors of the Tribe for use in projects for the Tribe within Indian country of the Tribe are not subject to Connecticut sales or use tax provided the contractors or subcontractors comply with the provisions of Conn. Gen. Stat. §§12-407(6) or 12-408c.

Ruling 2002-3
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12. Sales by the Tribe outside of Indian country of the Tribe of tangible personal property and services, including lodging and entertainment, are subject to Connecticut sales, use or admissions tax.
13. Fuel delivered to the Tribe within Indian country of the Tribe is not subject to Connecticut motor vehicle fuels tax or to Connecticut sales tax provided the fuel is used in tribally owned or leased motor vehicles that are garaged within Indian country of the Tribe and are either (1) specially-equipped or (2) dedicated exclusively to an essential governmental purpose (other than gaming).

¹ All references in this ruling to meals include non-alcoholic beverages.

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Corporation Tax

Information for S Corporations

The corporation business tax on S corporations, including the \$250 minimum tax, was repealed effective for income years beginning on or after January 1, 2001. S corporation returns for the fiscal year ending November 30, 2001 were due March 15, 2002, except returns for which an extension of time to file was granted. Such returns are due September 15, 2002. For income years beginning on or after January 1, 2001, S corporations are only required to file **Form CT-1120SI**, *Connecticut S Corporation Information and Composite Income Tax Return*, which is due on or before the 15th day of the fourth month following the close of the taxable period or April 15 for calendar year filers.

If an S corporation made an estimated payment for 2001, that payment may be refunded or applied to another state tax liability with DRS. Requests for a refund of estimated S Corporation payments must be in writing and should include: Connecticut Tax Registration Number; amount of payment; date of payment; and whether the estimated payment is to be refunded or applied to another tax. Mail your request to:

Department of Revenue Services
25 Sigourney Street
Hartford CT 06106
ATTN: Refund Unit.

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Fast File
from Page 1

available to all eligible taxpayers. According to Jason Purslow, DRS *Fast-File* Coordinator, "We deemed the first six months as the pilot when we asked 12,000 targeted taxpayers to test the program. Because the test was such a huge success, DRS now encourages all eligible taxpayers to use *Fast-File*."

As of the end of May 2002, 21,258 returns (CT-WH, CT-941, OS-114, Business Use, and Room Occupancy) have been

"fast filed" over the secured Web site or by telephone. The majority of returns "fast filed" so far have been: 10,241 **CT-WH** (Connecticut Withholding); and 9,147 **OS-114** (Sales and Use Taxes). The total Sales and Use Tax returns filed in April (1st quarter 2002 and monthly) was 2,400, a 339% increase from the first full quarter that *Fast-File* accepted returns in September 2001. On April 30, 2002, *Fast-File* established its daily record for tax returns filed when 550 returns were successfully filed. The system has also accepted 17,321 electronic payments totaling \$75.8 million.

To be eligible to *Fast-File* Connecticut business tax returns, all of the following must be true:

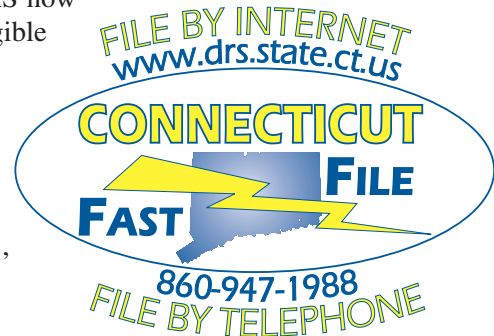
- The business is registered with DRS for sales and use taxes, business use tax, room occupancy tax, or income tax withholding;
- The business has a valid 10-digit Connecticut Tax Registration Number;
- The business return is being filed on time; and
- Any payment, if necessary, will be made electronically.

To *Fast-File* by Internet, visit the DRS Web site at: **www.drs.state.ct.us** and click on the *Fast-File* button. To *Fast-File* or register by telephone, call: **860-947-1988**.

New businesses may apply for a Connecticut tax registration number on-line using *Fast-File*. On-line registrations are normally issued within four business days. Businesses currently eligible to *Fast-File* can also update their existing tax registration information.

Commissioner Gavin reflected, "I am proud of the work that we've done to design and create this fully functional on-line system that offers Connecticut taxpayers so many convenient options. As we begin our second year of this program, I know that businesses will find *Fast-File* to be a favored method of filing and its popularity will continue to grow."

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Connecticut Tax Calendar

If the due date falls on a Saturday, Sunday or legal holiday, the next business day is the due date.

JUNE

- 1** Corporation Business Tax for year ending February 2002
- 15** Cigarette Vending Machine Tax
 - Estimated Composite Income Tax Payment, 2nd Installment 2002
 - Estimated Corporation Business Tax Payment
 - Form CT-1120 ESA for year ending March 2003
 - Form CT-1120 ESB for year ending December 2002
 - Form CT-1120 ESC for year ending September 2002
 - Form CT-1120 ESD for year ending June 2002
 - Estimated Fiduciary Tax payment, 2nd Installment 2002
 - Estimated Group Income Tax Payment, 2nd Installment 2002
 - Estimated Health Care Centers Tax Payment, 2nd Installment 2002
 - Estimated Insurance Companies Tax Payment, 2nd Installment 2002
 - Estimated Income Tax Payment for Individuals, Trusts, and Estates, 2nd Installment 2002
 - Estimated Unrelated Business Income Tax
 - Fiduciary Income Tax for year ending February 2002
 - Group Income Tax for year ending February 2002
 - Health Care Centers Tax for year ending February 2002
 - Insurance Companies Tax for year ending February 2002
 - Partnership Income Tax for year ending February 2002
 - S Corporation Information and Composite Income Tax for year ending February 2002
 - Unrelated Business Income Tax (Domestic Trusts)
- 25** Motor Vehicle Fuels Tax
 - Tobacco Products Tax
- 30** Admissions and Dues Tax, Monthly Filers
 - Beverage Tax
 - Room Occupancy Tax, Monthly Filers
 - Sales and Use Taxes, Monthly Filers
 - Tourism and Rental Surcharge, Monthly Filers

JULY

- 1** Corporation Business Tax for year ending March 2002
- 15** Cigarette Vending Machine Tax
 - Corporation Business Tax Payment
 - Form CT-1120 ESA for year ending April 2003
 - Form CT-1120 ESB for year ending January 2003
 - Form CT-1120 ESC for year ending October 2002
 - Form CT-1120 ESD for year ending July 2002
 - Fiduciary Income Tax for year ending March 2002
 - Group Income Tax for year ending March 2002

- Health Care Centers Tax for year ending March 2002
- Insurance Companies Tax for year ending March 2002
- Partnership Income Tax for year ending March 2002
- S Corporation Information and Composite Income Tax for year ending March 2002
- Unrelated Business Income Tax (Domestic Trusts)
- 25** Motor Vehicle Fuels Tax
 - Tobacco Products Tax
- 31** Admissions and Dues Tax, Monthly Filers
 - Beverage Tax
 - Room Occupancy Monthly and Quarterly Tax Filers
 - Sales and Use Taxes, Monthly and Quarterly Filers
 - Tourism and Rental Surcharge, Monthly Filers

AUGUST

- 1** Corporation Business Tax for year ending April 2002
- 15** Cigarette Vending Machine Tax
 - Corporation Business Tax Payment
 - Form CT-1120 ESA for year ending May 2003
 - Form CT-1120 ESB for year ending February 2003
 - Form CT-1120 ESC for year ending November 2002
 - Form CT-1120 ESD for year ending August 2002
 - Estimated Unrelated Business Income Tax
 - Fiduciary Income Tax for year ending April 2002
 - Group Income Tax for year ending April 2002
 - Health Care Centers Tax for year ending April 2002
 - Insurance Companies Tax for year ending April 2002
 - Partnership Income Tax for year ending April 2002
 - S Corporation Information and Composite Income Tax for year ending April 2002
 - Unrelated Business Income Tax (Domestic Trusts)
- 25** Motor Vehicle Fuels Tax
 - Tobacco Products Tax
- 31** Admissions and Dues Tax, Monthly Filers
 - Beverage Tax
 - Room Occupancy Tax, Monthly Filers
 - Sales and Use Taxes, Monthly Filers
 - Tourism and Rental Surcharge, Monthly Filers

SEPTEMBER

- 1** Corporation Business Tax for year ending May 2002
- 15** Cigarette Vending Machine Tax
 - Estimated Composite Income Tax Payment, 3rd Installment 2002

DRS Tax Product Update

DRS recently issued the following tax products. DRS forms and publications are available 24-hours a day, 7-days a week, by visiting the **DRS Web site** at **www.drs.state.ct.us** or by calling **DRS TaxFax** at **860-297-5698** from the handset attached to your fax machine.

Forms and publications can be ordered by **e-mail** at **ctforms.drs@po.state.ct.us**, or by calling **CONN-TAX**, the DRS information line. Call **1-800-382-9463** (toll-free from within Connecticut) and select **Option 2**, or **860-297-4753** (from anywhere) 24 hours a day, to order forms and publications.

Announcements

AN 2002(1), Annual List of Distributors for Motor Vehicle Fuels Tax Purposes

AN 2002(3), Obtaining Connecticut Publications in Booklet Form

AN 2002(4), Annual Revision of Form TPM-1

Informational Publications

IP 2002(2.1), Topical Index to Rulings and Administrative Pronouncements Covering Income Tax

IP 2002(3.1), Topical Index to Rulings and Administrative Pronouncements Covering Corporation Business Tax

IP 2002(4.1), Numerical Index to Rulings and Administrative Pronouncements as Affected if at all by Later-Issued Rulings and Pronouncements

IP 2002(5.1), Topical Index to Rulings and Administrative Pronouncements Covering Sales and Use Taxes

IP 2002(6.1), Topical Index to Rulings and Administrative Pronouncements Covering Miscellaneous Taxes and Administrative Topics

IP 2002(7), Q & A on the Cigarette Tax Increase for Licensed Cigarette Dealers

IP 2002(8), Q & A on the Cigarette Tax Increase for Licensed Cigarette Distributors That Are Stampers

IP 2002(9), Q & A on the Cigarette Tax Increase for Licensed Cigarette Distributors That Are Not Stampers

Policy Statements

none

Special Notices

SN 2002(1), 2002 Legislation Increasing the Cigarette Tax and Affecting Licensed Cigarette Dealers

SN 2002(2), 2002 Legislation Increasing the Cigarette Tax Affecting Licensed Cigarette Distributors That Are Stampers

SN 2002(3), 2002 Legislation Increasing the Cigarette Tax Affecting Licensed Cigarette Distributors That Are Not Stampers

Certificates

CERT-127, Exempt Purchases by Contractors in Connection with Construction Projects in Indian Country of the Mashantucket Pequot or Mohegan Tribes

CERT-128, Exempt Purchases by an Enrolled Member or by the Tribal Government of the Mashantucket Pequot Tribe or Mohegan Tribe

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SEPTEMBER, continued from Page 10

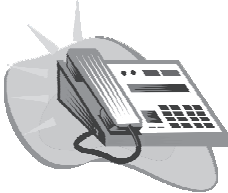
Estimated Corporation Business Tax Payment
Form CT-1120 ESA for year ending June 2003
Form CT-1120 ESB for year ending March 2003
Form CT-1120 ESC for year ending December 2002
Form CT-1120 ESD for year ending September 2002
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3rd Installment 2002
Estimated Health Care Centers Tax Payment, 3rd
Installment 2002
Estimated Insurance Companies Tax Payment, 3rd
Installment 2002
Estimated Income Tax Payment for Individuals, Trusts,
and Estates, 3rd Installment
Estimated Unrelated Business Income Tax
Fiduciary Income Tax for year ending May 2002
Group Income Tax for year ending May 2002

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Insurance Companies Tax for year ending May 2002
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Beverage Tax
Room Occupancy Tax, Monthly Filers
Sales and Use Taxes, Monthly Filers
Tourism and Rental Surcharge, Monthly Filers

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For Tax Forms, Publications or Personal Assistance

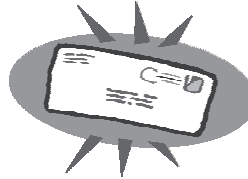
- Visit the **DRS Web site:** www.drs.state.ct.us



- Call **CONN-TAX** at 1-800-382-9463 (toll-free from within Connecticut) or 1-860-297-5962 (from anywhere)

TTY, TDD, and Text Telephone users only may transmit inquiries 24 hours a day, seven days a week by calling 860-297-4911.

- **Write to:** Department of Revenue Services
Taxpayer Services Division
25 Sigourney Street
Hartford CT 06106-5032

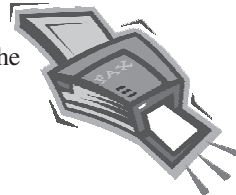


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Internet: Preview and download forms from the DRS Web site at www.drs.state.ct.us

DRS TaxFax: Call 860-297-5698 from the handset attached to your fax machine



E-mail: E-mail your request for forms to:
ctforms.drs@po.state.ct.us

Telephone: From a touch-tone phone 24 hours a day call 1-800-382-9463 (toll-free from within Connecticut) and select Option 2 or 860-297-4753 (from anywhere).



For free assistance on forms, visit our offices from 8:00 a.m. to 5:00 p.m. (Monday through Friday). For pre-recorded directions to DRS offices, call CONN-TAX. If you require special accommodations, please advise the Department representative.

BRIDGEPORT

10 Middle St.
203-579-6251

HAMDEN

3074 Whitney Ave., Bldg 2
203-287-8243

HARTFORD

25 Sigourney St.
860-297-5962

NORWICH

2 Cliff St.
860-889-2669

WATERBURY

55 West Main St.
Suite 100
203-805-6789



CONNECTICUT Tax News, from the Connecticut Department of Revenue Services, is published five times a year.

This newsletter is designed to provide general information to taxpayers and tax practitioners. It is not designed to explain in depth a current Department policy affecting the liability of taxpayers. Nothing in this publication supersedes, alters, or otherwise changes the provisions of the Connecticut General Statutes, regulations, Department rulings or tax informational publications.

**Gene Gavin,
Commissioner**

CONTRIBUTORS:

Sarah Kaufman
David P. Barry
Maria Blackwell
Louis P. Bucari
Mary Chamberland
Lisa Civitillo
Anna Crawford
Melvin Jones
Elaine Leon
Jason Puslow
Peter Santagata
Peter Teeuwissen

Department of Revenue Services
25 Sigourney Street
Hartford CT 06106-5032

Department of Revenue Services
State of Connecticut
25 Sigourney Street
Hartford CT 06106-5032